



*United States Attorney  
Southern District of New York*

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U.S. ANNOUNCES GUILTY PLEAS OF TWO FOR INSIDER TRADING  
BASED ON INFORMATION MISAPPROPRIATED  
FROM MANHATTAN LAW FIRM

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced today that RONALD A. MANZO and FIORE J. GALLUCCI have pled guilty in Manhattan federal court to an insider trading scheme involving more than \$1 million in illegal profits obtained by using confidential information misappropriated from a Manhattan law firm to trade in securities of companies involved in various mergers and acquisitions.

MANZO pled guilty today to a criminal Information charging him with one count of conspiracy to commit insider trading, three counts of insider trading, and one count of perjury during testimony given before the United States Securities and Exchange Commission ("SEC"). GALLUCCI previously pled guilty on November 18, 2003, to a separate criminal Information charging him with one count of conspiracy to commit insider trading and five counts of insider trading. The charges against GALLUCCI are contained in a criminal Information unsealed today.

According to the Information filed today against MANZO and the Information previously filed against GALLUCCI (collectively the "Informations"), GALLUCCI's wife became a secretary at Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden Arps") in about 1996. Skadden Arps, located in Manhattan, is one of the largest law firms in the world and is well known for handling corporate mergers and acquisitions. GALLUCCI's wife was assigned to Skadden Arps's mergers and acquisition group, where she had access to confidential, material nonpublic information about potential business transactions involving Skadden Arps's clients, it was charged.

According to the Informations, GALLUCCI was the Vice President of fixed income sales at Aubrey Lanston & Company. In 1996, in violation of her duties to Skadden Arps and its clients and in violation of Skadden Arps' policies, GALLUCCI's wife began discussing with GALLUCCI confidential information about Skadden Arps' clients. The Informations charge that in 1997 Galluci in turn began providing that confidential information to his personal friend, MANZO, who operated an insurance company in New Jersey. According to the Informations, GALLUCCI provided this information to MANZO, who had previously made loans to GALLUCCI, so that MANZO could use it to purchase and sell securities at substantial profits. It was charged that GALLUCCI continued to solicit information from his wife and provide it to MANZO through the Summer of 1999, and eventually told MANZO that he was learning about impending mergers and acquisitions from his wife,

who worked at a law firm in New York City.

The Informations charge that after learning its source, MANZO continued to use the inside information to buy and sell securities and to earn illegal profits. According to the Charging Instruments, MANZO purchased securities and options issued by companies involved in at least seven deals handled by Skadden Arps, thereby earning profits in excess of \$900,000.

The Information filed today against MANZO further charges that MANZO relayed GALLUCCI's information concerning impending mergers and acquisitions to another of MANZO's friends ("CC-1"), and eventually told CC-1 that the information was coming from someone at a law firm involved in the business transactions. According to the Information, CC-1 asked to be advised of future deals and, based on that inside information, purchased securities and options issued by companies involved in at least six Skadden Arps deals, thereby earning approximately \$247,459 in profits.

According to both Informations, MANZO and others used inside information to buy securities and options in advance of the public announcement of the following business transactions:

- a. The Compaq Computer Deal: On January 26, 1998, the Compaq Computer Corporation announced that it had signed an agreement to acquire Digital Equipment Corporation in a transaction valued at \$9.6 billion. Digital Equipment Corporation was a Skadden Arps client.
- b. The DSC Deal: On June 4, 1998, Alcatel, Inc., a telecommunications systems and equipment manufacturer, announced that it had agreed to acquire DSC Communications, Inc., a provider of digital switching, transmission, and network management systems, in a

transaction valued at \$4.4 billion. Alcatel, Inc. was a Skadden Arps client.

c. The Sundstrand Deal: On February 22, 1999, United Technologies Corporation, maker of Pratt & Whitney jet engines, announced that it had signed a merger agreement to acquire Sundstrand Corporation, an aerospace and industrial parts maker, through a cash and stock deal valued at approximately \$4.3 billion. Sundstrand Corporation was a Skadden Arps client.

d. The Sara Lee Deal: On April 22, 1999, Sara Lee Corporation, a global manufacturer of brand name foods products, announced a tender offer to buy Chock Full O'Nuts Corporation, a roaster, packer, and marketer of coffee. Sara Lee Corporation was a Skadden Arps client.

e. The Orion Capital Deal: On July 12, 1999 Royal and Sun Alliance Insurance Group PLC, one of the largest insurers in the United States, announced a tender offer to acquire Orion Capital Corporation, a provider of high margin insurance products. Orion Capital Corporation was a Skadden Arps client.

f. The Nielsen Media Deal: On August 16, 1999, NVU NV the publisher of "Billboard" music magazine, announced an agreement to acquire Nielsen Media Research, Inc., the U.S. television ratings company, in a deal valued at approximately \$2.7 billion. NVU NV was a Skadden Arps client.

g. The Global Deal: On November 8, 1999, Hicks, Muse, Tate & Furst, Inc., a leveraged buyout firm, announced an agreement to invest \$80 million in Globix Corporation, a leading provider of sophisticated Internet-based solutions for large and medium size businesses. Globix Corporation was a Skadden Arps client.

MANZO also pled guilty today to committing perjury during his testimony before the SEC on January 22, 2003, in connection the SEC's investigation of the matters described above. In a separate action, the SEC today filed civil insider trading charges against MANZO, GALLUCCI, and CC-1.

MANZO, 60, resides in Bayonne, New Jersey. He pled

guilty today before United States District Judge ROBERT P. PATTERSON, who scheduled sentencing for December 16, 2004.

GALLUCCI, 63, resides in Staten Island, New York. He pled guilty on November 18, 2003, before United States District Judge RICHARD C. CASEY and is currently scheduled to be sentenced on September 16, 2004.

GALLUCCI and MANZO each face penalties of five years' imprisonment and a \$250,000 fine on the conspiracy count and ten years' imprisonment and a \$1 million fine on each insider trading count to which they pled guilty. In addition, MANZO faces a penalty of five years' imprisonment and a \$250,000 fine on the perjury charge to which he pled guilty.

Skadden Arps cooperated in the investigation and no allegation of wrongdoing has been made against the law firm.

Mr. KELLEY praised the investigative efforts of the Federal Bureau of Investigation. Mr. KELLEY also expressed gratitude to the SEC for its assistance in this matter.

Assistant United States Attorney JONATHAN R. STREETER is in charge of the prosecution.

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